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SUBJECT: DELOITTE TAX LLP IN PROCESS OF REGISTERING IN  
TURKMENISTAN

REF: ASHGABAT 959

Classified By: Charge d'Affaires a.i. Sylvia Reed Curran for reasons 1.  
4 (B) and (D).

11. (C) U.S. Department of the Treasury officials Alan Robidoux, Regional Tax Administration Advisor, and William Remington, Associate Director for Tax Policy and Tax Administration, met with Ovez Agayev and Jennet Karlyeva of Deloitte Tax LLP on July 25. Agayev is a Muskie program alumnus and graduate of the University of Washington. Karlyeva is a Chevening program (U.K. program) alumna who graduated from the University of Nottingham. Agayev and Karlyeva said that Deloitte expects to complete registration in three months. Current clients in Turkmenistan include ConocoPhillips and Chevron. They echoed many previous complaints about the cost of setting up an office here and the restrictive visa regime, which presents a serious barrier to foreign investment. While the Chamber of Commerce is now providing visa support for representatives of foreign companies who would like to attend local trade shows (reftel), Agayev pointed out the high cost -- thousands of dollars -- of attending these trade shows.

#### VIEWS ON STATE TAX SERVICE

12. (C) Agayev and Karlyeva thought highly of the head of the Main State Tax Service (septel), Pavel Pryanichnikov, and praised the Service for recently simplifying laws and closing loopholes under Pryanichnikov's de facto leadership, as well as for improved efficiency. Both Agayev and Karlyeva worked for Arthur Andersen in Ashgabat until the office closed several years ago. They said that Arthur Andersen had offered Pryanichnikov a partner position when it was still active in Turkmenistan, and he turned the company's offer down.

13. (C) Agayev and Karlyeva thought that the Main State Tax Service should provide a newsletter to citizens to help fill

in the gaps left by insufficient instructions on the tax forms, and that the Service should provide a means of sharing revenue rulings (landmark, precedence-creating decisions) with constituents. Deloitte will be writing such a newsletter for its clients. Agayev and Karlyeva said that most companies are using the Russian software "1C" for accounting purposes, which Remington and Robidoux feel will provide a good basis for connecting to e-filing in the future.

¶4. (C) Agayev and Karlyeva suggested that the State Tax Service arranged for Robidoux and Remington to meet with the head of Ashgabat's Kopetdag district tax office because this officer covers the Berzengi neighborhood, home to many foreign companies, and therefore is the best-run -- and most progressive -- tax office in the city.

¶5. (C) COMMENT: Perhaps Agayev and Karlyeva know something that post isn't aware of, but no company to date has been registered in only three months. Nevertheless, Deloitte's intentions to open an office in Ashgabat are yet another indication that foreign business interest in Turkmenistan is heating up, and is likely to continue to do so. END COMMENT.  
CURRAN